



## **Fiscal Year 2010 Budget Presentation**

**Darin Gordon, Deputy Commissioner**

**Dr. Wendy Long, Chief Medical Officer**

**Scott Pierce, Chief Financial Officer**

**November 24, 2008**



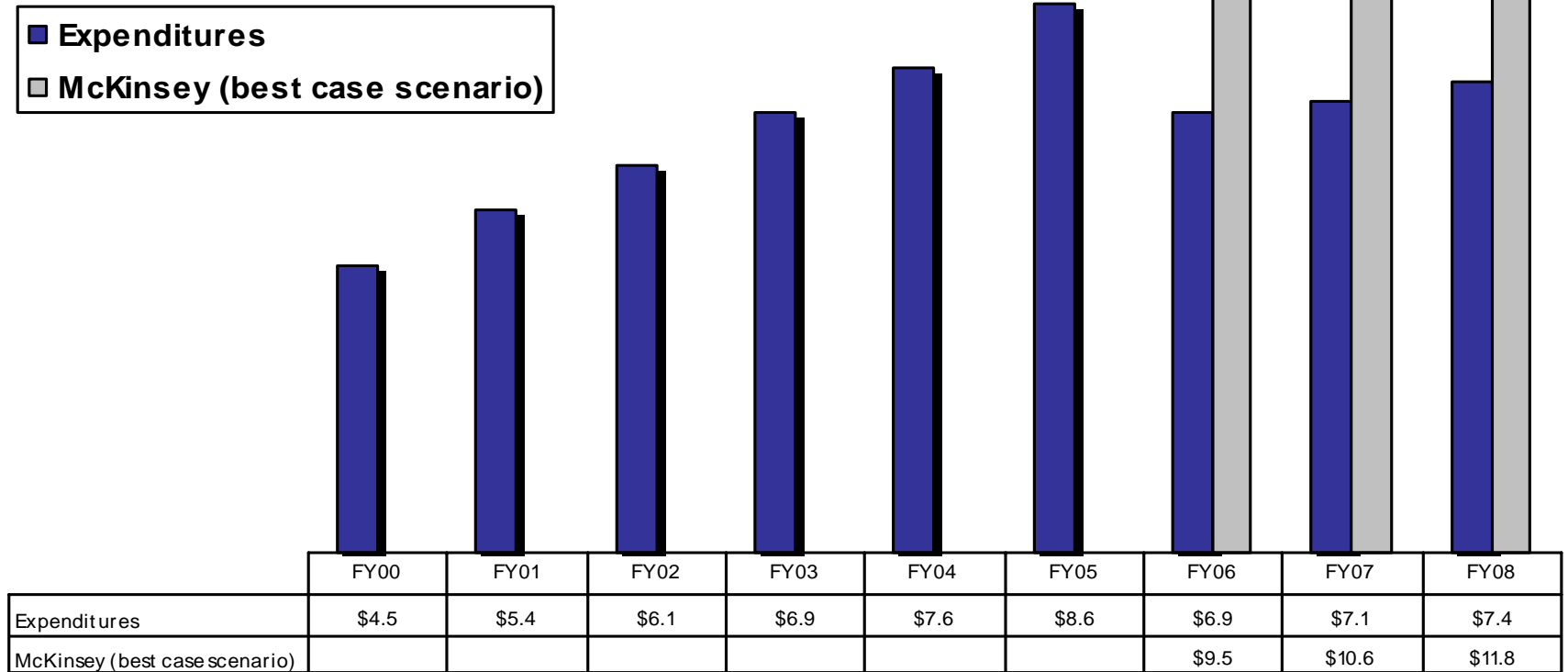
# Program Update

- Improved Business Arrangements
  - Pharmacy benefit services - SXC (10/1/08)
  - Fully integrated, at risk, managed care services statewide:
    - Middle – AmeriChoice & AmeriGroup (4/1/07)
    - West - AmeriChoice & BCBS (11/1/08)
    - East – AmeriChoice & BCBS (1/1/09)
- Status of FY2009 Budget Reductions
  - Medicare Crossover reimbursement changes (7/08)
  - Home Health / Private Duty Nursing benefit changes (9/08)
- Progress on Long Term Care Community Choices Act Implementation
  - TennCare and DHS are working together to streamline eligibility processes
  - Enrollment in HCBS continues to grow at the rate of 50-55 persons each week
  - Nursing Facility Diversification Grants will be awarded soon
  - Waiver amendment negotiations with CMS are ongoing



# Total Expenditures FY 2000-2008

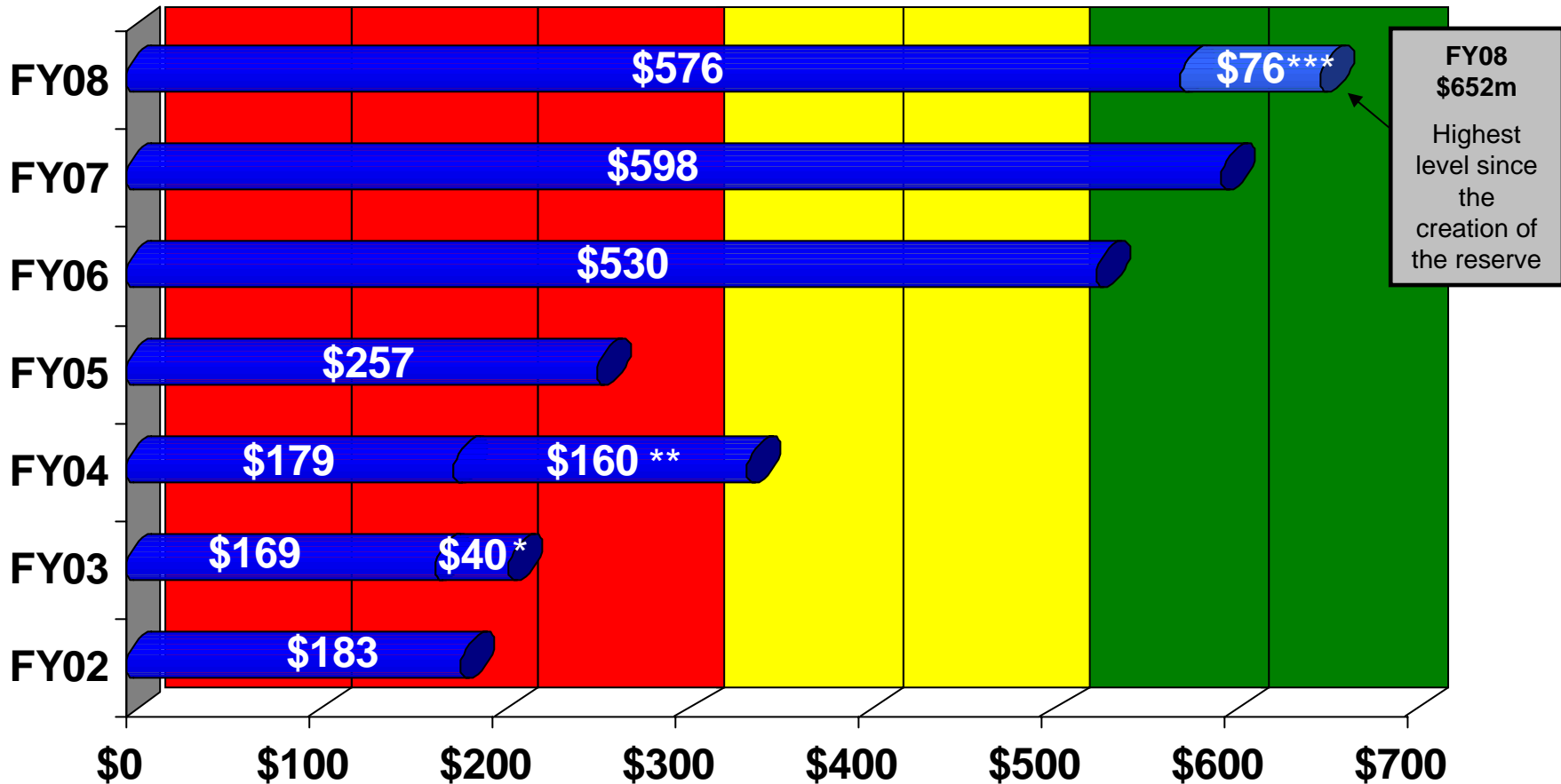
- Estimated 2008 closing approximately \$4.4 billion below McKinsey's best case scenario (McKinsey's FY 08 worst case scenario was \$12.6 billion)\*



\* 'Achieving a Critical Mission in Difficult Times – TennCare's Financial Viability' – McKinsey & Company, Dec. 11, 2003 – Appendix – B-15



# TennCare Reserve Balance FY 2002-2008



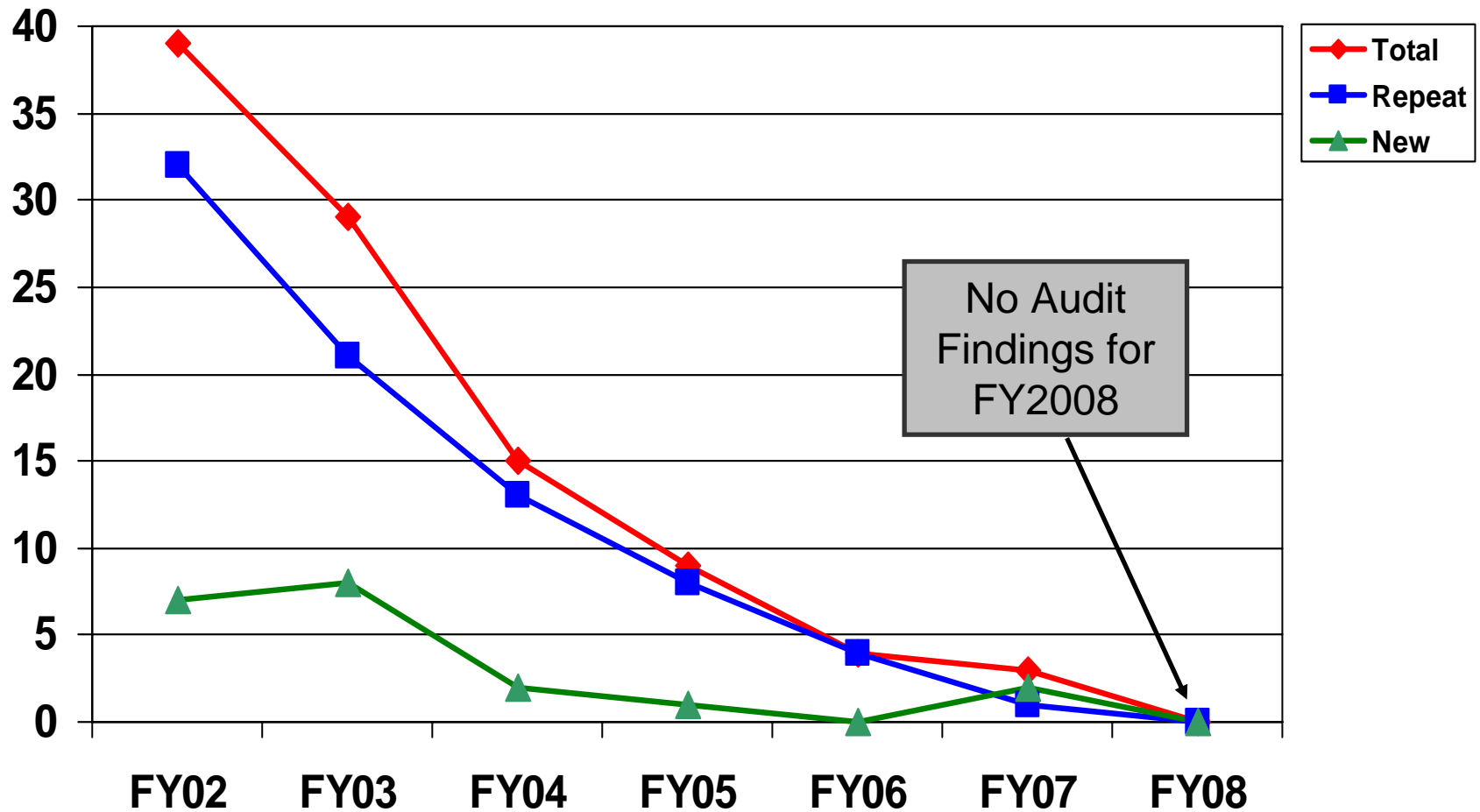
\* FY2003 - the state received \$40m related to a one-time federal match rate increase of 2.95%.

\*\* FY2004 - the state received \$160m related to the same 2.95% adjustment.

\*\*\* FY2008 - \$76m of the TennCare reserve was used by F&A to close the broader state budget for FY2008. Also, approximately \$67.1m of the \$576m is obligated per the current year's appropriations bill for one-time expenses related to hospital uncompensated care, mental health infrastructure and mental retardation services.



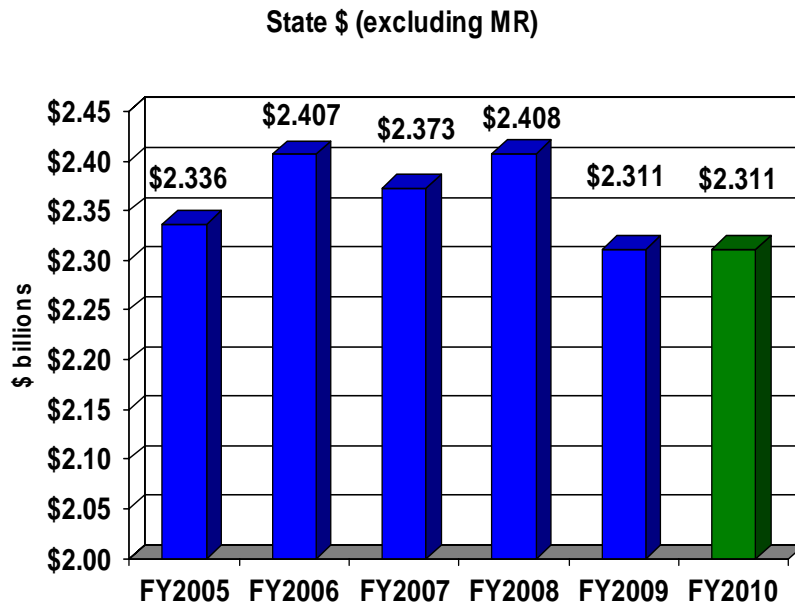
# Audit Findings FY 2002-2008



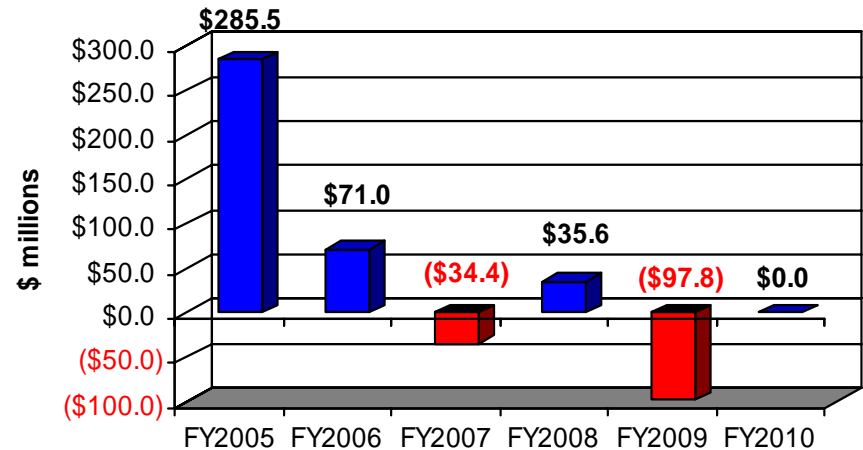


# TennCare State Dollars (excluding MR\*)

State appropriations for the period of FY05 to  
FY2010 decreased \$25,377,600 (or -1.1%)



## Year to Year State \$ Change (excluding MR)



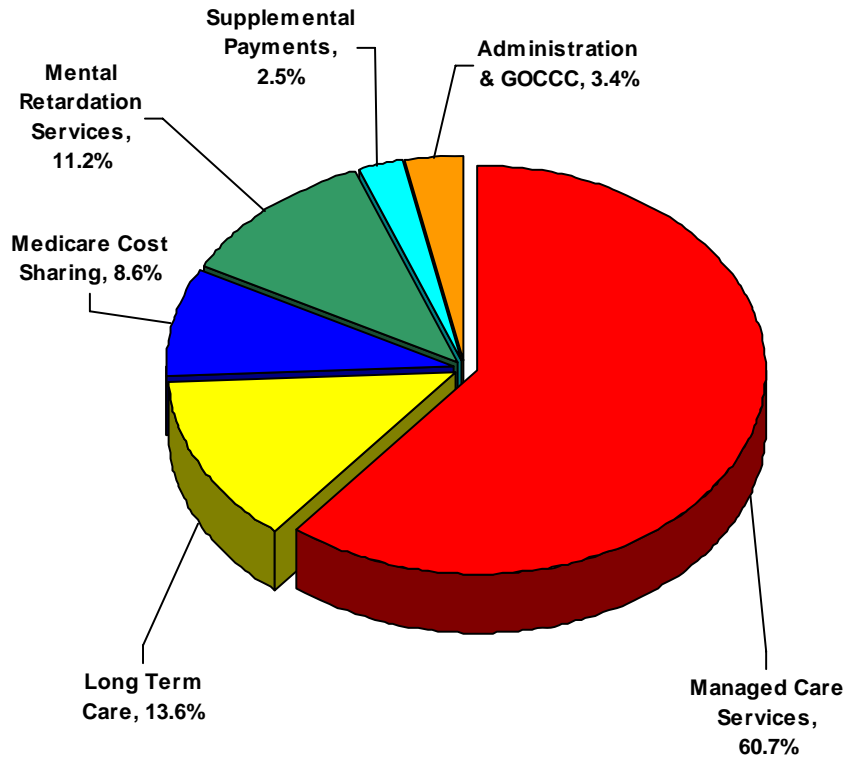
FY2010 – For the first time in the program's history,  
**NO new state appropriations required** to address  
healthcare inflation and a 3% projected enrollment  
increase related to the downturn in the economy

\* Expenditures related to the F&A Division of Mental Retardation excluded since there is a separate budget process for this agency.



# Budget Request\*

## FY 2010



Program Area	Expenditures
Managed Care Services (MCOs, PBM, DBM, etc...)	\$4,634,554,400
Long Term Care Services	1,036,289,600
Medicare Cost Sharing	658,550,400
Mental Retardation Services	851,527,200
Supplemental Payments	193,375,800
Administration & GOCCC	256,207,600
<b>Total</b>	<b>\$7,630,505,000</b>

State (including MR)	\$2,582,080,700
Federal	4,817,154,400
Other	231,269,900

\* Budget Request figures represented here are prior to the requested reduction plan related to the national economic downturn.

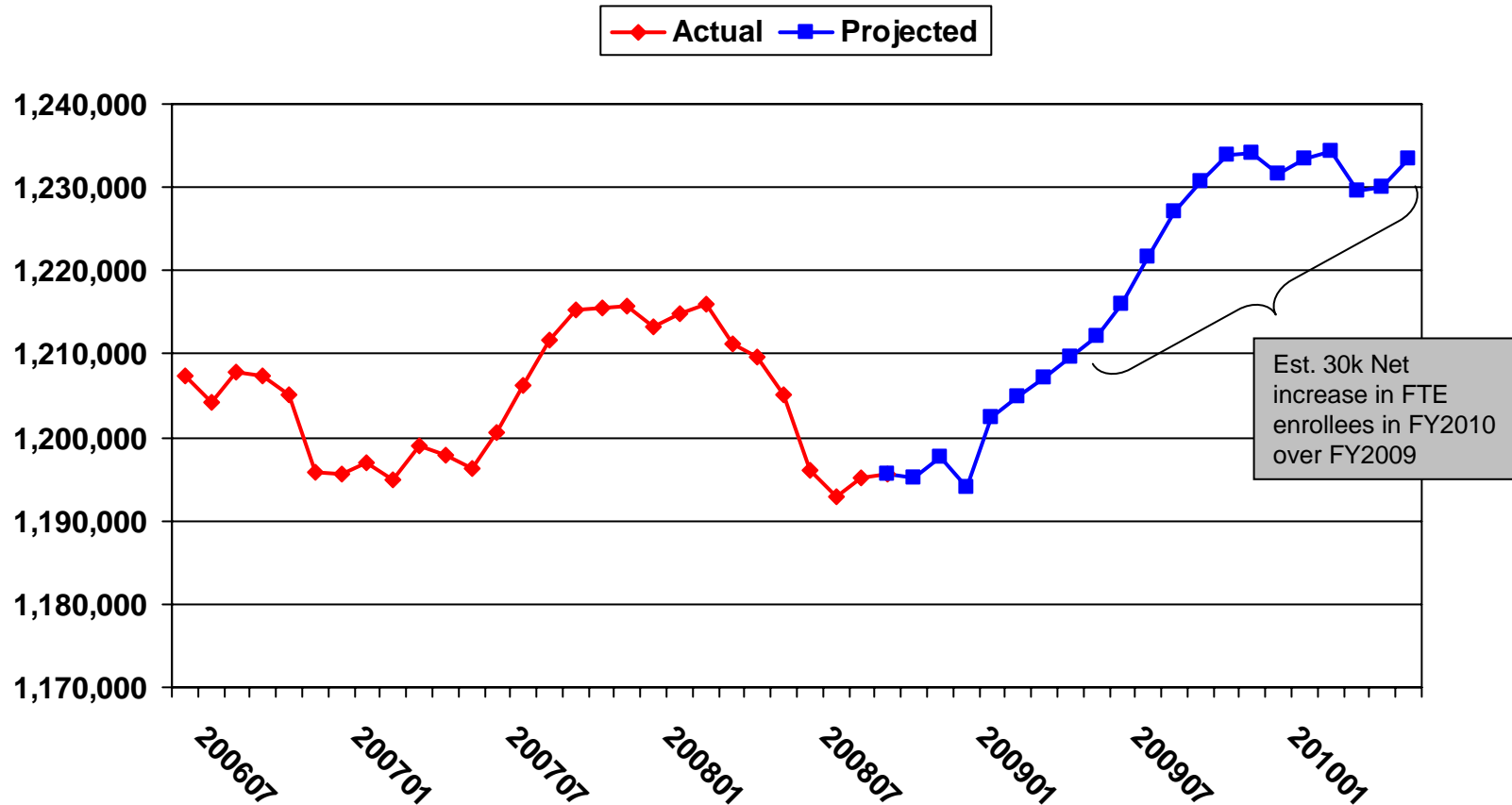


## National Environment

- Healthcare Reform Proposals – Concepts will require constant evaluation to determine, and mitigate, any potential negative financial impact to the State
- Pending Federal Regulations – Proposed changes to Medicaid financing could have massive impact on TennCare budget
  - Temporarily blocked by Congress until April 1, 2009
  - Designed to cap federal spending on Medicaid
  - Do not change the underlying benefits or structure of the program
  - Move more of the costs of Medicaid to State governments – estimated impact: \$342 million
  - Will ultimately affect healthcare providers
- Economic Downturn
  - Many states evaluating and considering program modifications similar to changes previously implemented in TennCare
  - States are also reviewing optional coverage categories, benefits and provider reimbursement
  - Social services programs are counter cyclical



# Enrollment (FY2007-projected FY2010)



Projection assumptions:

- transfer of State Only population to MHDD 1/1/09
- SSD open enrollment late 1/09
- Moderate growth scenario: 3% net growth in all plans, 1% growth in Select product



## Conclusion

- We must continue to be prepared to address the challenges ahead
  - Maintain prior year program revisions
  - Target cost drivers and address them early
  - Constantly re-evaluate what we do
  - Continually monitor federal actions
  - Address lawsuits vigorously
- TennCare's financial/operational position has never been stronger
  - Reserves at their highest levels
  - Audit findings have been eliminated
  - For the first time in the program's history – no new dollars are needed to continue current operations or address a 3% projected enrollment growth related to the downturn in the national economy